

Terms of Reference

Open Book Review of Residential & Nursing Homes

Definition and Purpose:

The Council has appointed 2 independent leads – an accountant and a social care specialist – to complete an Open Book Review of residential and nursing home fees for older people. An open book review is based on the principles of fairness and transparency, enabling a balanced approach to commissioning services of an acceptable quality that represent value for money, within a climate of increasing demand for services and significant financial constraints and cost pressures for both commissioners and providers.

Open Book accounting enables providers to describe their expenditure and service delivery costs, whilst enabling commissioners to understand all aspects of service delivery. This can be used to inform the development and use of a framework to link quality and price and to deliver improved outcomes for residents using the services. A fair framework based on transparency gives assurance that the right amount of money is paid for the right level of quality – i.e. it removes inconsistency whereby some providers may be “too cheap” and others “too expensive”. Linking the framework to robust quality standards will ensure that all services offer quality care and value.

The desired **outcomes** of the exercise are to:

- Arrive at a better understanding and resolution of price issues that ensures fairness to all parties whilst delivering improved outcomes for people using services, ensuring clear links between outcomes, fee levels and quality
- To identify any key risk areas relating to the financial viability of service provision
- Establish whether current fee levels are appropriate (that is, are reflective of the delivery of quality and efficient services) and can meet the needs of service users without creating a risk to service delivery
- Ensure clear links between fee levels and bandings of dependency
- Enable decisions on the need to uplift current fees to be taken on an informed and transparent basis to ensure quality, value for money and sustainability of service.

Benefits of the approach

The overarching benefits are a shared understanding of costs and the local factors that influence costs and cost pressures, resulting in a pricing model that is considered as fair by all parties.

Benefits to commissioners:

- Close examination and understanding of provider costs
- Greater control over quality aspects of provision by linking cost to quality and levels of need
- Demonstrates fairness to local taxpayers
- Allows for easier comparisons and benchmarking of cost and quality between providers

Benefits to providers:

- Promotes a better understanding of costs by commissioners
- Allows discussion of cost pressure points and changing costs
- Greater understanding of commissioners requirements
- Promotes improved efficiency and performance

Benefits to service users:

- Assurance of quality, reliability and safeness of services
- Promotes better understanding of what to expect from services
- Promotes affordable best quality

Benefits to all

- Provides a framework for decision making on funding linked to quality, including expected timescales for decisions so that all can plan for the medium term

Scope of the review

The review is limited to residential and nursing home provision for older people and will incorporate:

- Frail older people
- Older people with dementia

The review will include placements of Older People eligible for continuing healthcare funding (CHC) to ensure that the analysis of costs is not skewed – that is, the cost of care takes into account all levels of dependency – however, the inclusion of CHC

funded placements does not commit the NHS (Clinical Commissioning Group/Commissioning Support Service) to any particular outcome – the CCG/CSS will only take account of the findings of the project in considering future arrangements for NHS placements.

The review will not consider care home provision for younger adults (under 65) or specialist services for people with learning disabilities, mental health or other long term conditions (e.g. acquired brain injury) of any age, as these are subject to review using the Care Funding Calculator, a national tool developed for negotiating fees for specialist provision.

Links to quality

It is essential to link price with quality and delivery of outcomes. CQC monitor providers for compliance against minimum government standards and publish the findings. However, local authorities have responsibility as commissioners to ensure that local services meet the needs of the local population and offer safe services. These duties cut across adult safeguarding for all people living within its boundary, as well as those service users funded and placed out of county by the authority. It is insufficient to rely solely on CQC ratings as an indicator of quality – rather this is a starting point that sets minimum standards, with the local authority using its contracting and contract monitoring procedures to set local standards and expectations.

Currently, local arrangements include the payment of a “quality premium” based on an assessment of quality based on compliance with the Quality Schedule, using the Protocol for Quality Assurance Visits for Care Homes, which was agreed in November 2010 following consultation with home owners. The payment of differential rates based on quality is in line with standard contractual practice nationally, whereby many local authorities do not contract with homes rated “poor” by CQC, pay a basic fee for homes meeting the minimum acceptable standard, and a higher fee for those homes judged excellent. It should be noted that there are many variants of this model nationally with different fee bandings, including enhanced fees paid for people who have dementia who are placed in residential care. As set out in the first section of these terms of reference, a key outcome of the exercise will be to develop a funding framework that reflects both quality and levels of dependency in the pricing structure.

The current Quality Schedule attached to contracts was developed in partnership across social care and the NHS – it is aligned to the statutory regulations and comprehensively covers both social care outcomes and health requirements. The current integrated arrangements for monitoring the quality of care need to be reviewed in line with the NHS reorganisation, with the PCT being replaced by the

Clinical Commissioning Group (CCG). It is therefore timely to refresh the Quality Schedule and review the quality monitoring arrangements and this work will be completed in parallel to the Open Book Review to ensure alignment.

Funding parameters (expectations: what the council will pay for)

The Council expects to pay for services that are “good enough” to meet people’s needs and outcomes. This is in line with local and national policy to provide “just enough support” to meet the needs of those who are eligible for public funding. For the provision of residential and nursing home care, this means that services must meet both the national minimum standards and the council framework for quality as set out in the Quality Schedule. There is a balance to be agreed about the council’s willingness to pay more for higher quality services within a climate of diminishing resources – put bluntly, if the council funds a “Rolls Royce” service for client “A”, this will be at the expense of client “B”, who may not get a service at all. Funding decisions must be based on equity and ensure that some service users are not discriminated against due to funding differentials. To ensure this, the model will be subject to an Equality Impact Assessment.

This needs to be balanced by a genuine understanding of price differentials across providers and dependency levels. Councils will not however pay more for:

- Higher costs that are due to inefficiency (for example, high use of agency staff; use of sleep ins instead of on-call system; long handovers etc)
- Terms and conditions for staff that are higher than the industry standard or local rates of pay
- High profit margins for homes offering a substandard physical environment
- High capital costs related to building model reducing economies of scale or high physical specification that is not linked to meeting social care or CHC needs (for example, hydrotherapy pools, or provision of medical services)

Process

The council will work closely with, and will engage, local providers in the process. The Providers Forum will be a main vehicle for this but as the forum has a wider membership than those providers subject to this review, separate workshops will be held with residential and nursing home providers who provide services to older people within the scope of the review. The initial workshop will enable providers to

engage in the development of the methodology including the questionnaire spreadsheet, validation process and timescale for completion.

There are 45 homes in total within Herefordshire (approximately 40 providers), and it is proposed all providers be given the opportunity to complete the questionnaire. The questionnaire is not compulsory. A minimum of 10 responses would be needed to be representative (approx. 25%) though it is hoped that the return rate will be higher than this.

Methodology

Work completed by the Rowntree Trust and by Laing & Buisson, up-dated in 2008 and 2012, identifies 4 main components of care home costs:

- Staffing
- Repairs & maintenance
- Non staffing costs
- Capital costs

Laing & Buisson found that the two key determinants of cost are pay rates and land costs, and research emphasises the importance of looking at local costs rather than depending on national benchmarking. However, the most important and significant determinant of cost is staffing and it's proportion to overheads. Work completed nationally by Laing & Buisson, OLM and the Care Funding Calculator indicates that an indicative proportion of 60% staffing to overhead is considered an acceptable split.

Staffing costs will be influenced by a range of factors linked to efficient practices, including:

- Economy of scale (number of beds and occupancy levels)
- Staffing rotas and proportion of qualified v unqualified staff (calculated as hours per resident per week)
- Absence levels including amount of annual leave and sickness levels
- Method of covering absence – bank, agency and overtime
- Handover periods
- Pay scales and enhancements
- Skill mix
- Use of sleep in staff
- Shift patterns

It is proposed that the methodology uses a questionnaire spreadsheet that providers complete, supported by face to face meetings to get a clear understanding of the

figures. The Council has purchased the 2012 up-dated Laing & Buisson model and has examined approaches being taken by other local authorities within the Midlands, including Staffordshire, Derbyshire and Nottinghamshire, and has adapted a tried and tested questionnaire.

Based on this, the questionnaire spreadsheet will collect data as follows:

- Number of beds
- Occupancy levels
 - Overall occupancy broken down into levels of dependency, by including numbers with dementia and number of CHC placements
- Market share (proportion of beds purchased by Herefordshire)
- A breakdown of accounts showing overall proportion of spend on staffing and other costs:
 - Direct staffing costs
 - Management costs
 - Training backfill
 - Corporate overheads
 - Non pay budgets (food, utilities etc)
 - Total agency costs
 - Overtime costs
 - Capital costs
 - Margins
- Staffing skill mix and rotas
- Rates of pay and enhancements
- Pensions
- Annual leave level
- Sickness absence
- Details of how absence is covered
- Use of sleep in/ availability of on call system or assistive technology

Timescale

<i>July 2012 –October:</i>	Planning and preparation – establish internal steering group, procurement of independent accountancy support, develop questionnaire & methodology using Laing & Buisson and examples from other LAs, briefing paper to Provider’s Forum
<i>November:</i>	Brief cabinet member; Presentation of Terms of Reference to Providers Forum on 16 th November and seek feedback/comments within 2 weeks
<i>December:</i>	Consultation event on 4 th December (half day) on model and methodology with providers (<i>OP homes only</i>); feedback from providers by 11 th December. Seek volunteers to test the questionnaire spreadsheet. Consider feedback and make any final changes within 2 weeks;
<i>2nd Jan 2013:</i>	Send out questionnaire/spreadsheet for completion and return within 4 weeks
<i>1st February 2013:</i>	Deadline for submission of spreadsheets
<i>4th Feb – 19th April:</i>	Financial analysis of spreadsheets, timings based on average 1.5 days per provider plus small contingency Face to face meetings with sample of providers to review the evidence (timing takes into account Easter) Mop up any late submissions
<i>22nd April – 31st May (6 weeks)</i>	Complete analysis of findings, benchmark and considers implications; Align to outcome of work on quality standards; Complete Equality impact Assessment Develop recommendations to Council on the pricing model and agree proposals for the implementation process, including framework and timescales
<i>June</i>	Feedback to providers and consult on findings of the review and proposals for implementation Brief cabinet member on findings of review and budget implications Cabinet approval for new pricing framework

Risk assessment

Risk	Rating	Mitigating actions
Review is not seen as independent by providers and/or council	M	Appointment of independent accountant and social care professional to lead the process; Use of nationally recognised tools appropriately adapted to local factors
Lack of confidence in the methodology by providers and/or Council	L	Methodology based on Laing & Buisson (Rowntree Trust), nationally recognised as a reliable and independent model. Comparison of methodology with that used by other LAs within the Midlands
Insufficient take up providers	L	Initial discussions with providers indicated willingness to participate, but this will be reviewed following workshop in December
High take up by providers impacting on timescale for analysis	M	Timeline based on assumption of 1.5 days per provider with 50% up-take; Outliers will be excluded; Face to face meetings may be held with a sample of providers rather than all; To review timeline and adjust accordingly if this doesn't mitigate
Inconsistent application of methodology across providers skews results	H	Face to face meetings between accountant and a sample of providers to review and validate the evidence
Outcome impacts on commissioning or market capacity to meet care needs	M	Equality Impact Assessment will be completed

About the independent lead officers:

Glyn Morgan:

Glyn has worked with the Audit Commission for the last eleven years as an Auditor and Senior Finance Manager. As an external auditor, Glyn led on audits across the West Midlands in Local Government and Health. In 2006 Glyn carried out a major investigation into allegations made by a whistleblower. As senior finance manager Glyn was responsible for a £2m budget and oversaw the regional budget for the Audit Commission in excess of £148m. Before joining the Audit Commission Glyn was employed in an Agency where he implemented good governance procedures across the Agency and completed a Public Sector Comparator which compared costs in the public sector to those of proposed private sector partners. Glyn was awarded an MBE in 2001 for his work at the Agency.

Kathy McAteer:

Kathy is a registered social worker and ex Director of adult social care services. With 39 years experience across all fields of social care, Kathy has worked as both a commissioner of services and as an operational manager in local government and the NHS. Commissioning experience relevant to this project has included leading on the outsourcing and re-provision of local authority residential homes (using the “invitation to negotiate” procurement process), leading on price negotiations for new and existing services, leading on “best value” service reviews, and working extensively in partnership with independent providers to develop new services across a range of service user groups. Kathy has been working through her own consultancy company since 2010, and has undertaken commissioned work on behalf of local authorities and voluntary organisations, including the development of costed commissioning plans, investigating reasons for high activity and high spend in specialist services and providing advice on how services can be improved.

Reference documents

DH Change Agent Team: Commissioning Series: Open Book Accounting (2006)

Joseph Rowntree: Calculating the Cost of Efficient Care Homes (2004 and 2008)

Laing & Buisson: Calculating a Fair Price for Care: a toolkit for residential and nursing care costs (September 2008)